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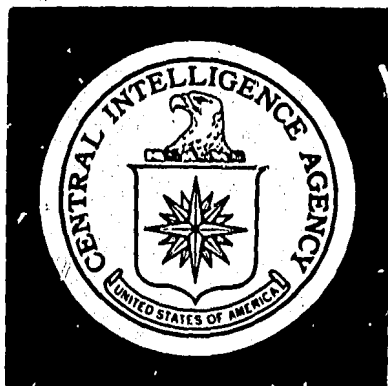
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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Memorandum

*British Arms Exports To Less Developed Countries, 1966-69*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
October 1970

INTELLIGENCE MEMORANDUM

British Arms Exports  
To Less Developed Countries  
1966-69

Introduction

The United Kingdom traditionally has been an important international supplier of arms and is presently the fourth largest exporter of military equipment to less developed countries.\* This memorandum examines the scope of and rationale for current British arms sales to the Third World and assesses the economic implications of these sales.

UK Role as Supplier to the Third World

1. During the past four years the United Kingdom has ranked as the fourth largest supplier of arms to Free World less developed countries, after the United States, the USSR, and France (see Table 1).

\* *The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa, (2) all countries of East Asia except Japan, (3) Portugal and Spain in Europe, (4) all countries in Latin America except Cuba, and (5) all countries in the Near East and South Asia.*

*Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research and was coordinated with the Office of Current Intelligence and with the Office of Strategic Research.*

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Table 1

Exports of Military Equipment  
to the Less Developed Countries a/

Million US \$				
Exporting Country	1966	1967	1968	1969
United States <u>b/</u>	1,350	1,385	1,270	1,350
USSR	440	375	355	300
France	110	110	215	165
United Kingdom	100	80	120	165

*a. Exports represent actual deliveries and are to be differentiated from arms sales agreements shown in Table 3, below. Data have been rounded to the nearest \$5 million.*

*b. Exports are by fiscal year and include only US government transfers; exports to the Indochina area are excluded.*

British deliveries of military equipment to these countries during 1966-69 totaled nearly \$465 million or about 35% of global British arms exports. During the same period, Britain also provided military advisory and training assistance to Third World countries at an estimated cost of \$75 million.

British Arms Sales Campaign of the 1960s

2. Britain, which has been a major supplier of military equipment prior to World War II, entered the postwar period with a highly efficient arms industry. During the Korean War, rearmament and heavy government support kept the British arms industry competitive, but in the middle and late 1950s the situation began to change when the United States achieved dominance in equipping NATO forces and when Australia and Pakistan gradually shifted to US equipment. In addition, competition from other large arms suppliers -- principally the USSR, which provided large quantities of military equipment on a grant basis or under liberal repayment terms, and more recently the French -- also cut into Britain's markets. Sales to less developed countries declined also as British equipment became more sophisticated and expensive.

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3. In an attempt to revitalize its sagging arms export program the United Kingdom reorganized its arms sales apparatus in 1966, centralizing sales efforts in the newly created post of Head of Defense Sales in the Ministry of Defense. Sir Ray Brown was appointed to this post and was instructed to "insure, within the limits of government policy, that as much military equipment is sold overseas as possible and also to develop research to stimulate the interest of future buyers." Additional service attachés and civilian representatives of the Ministry of Defense were appointed to key areas to promote the sale of British military equipment. Sales, however, are concluded by representatives from the Royal ordnance factories or private arms manufacturing firms.

Commercial Credits

4. As part of its sales promotion effort, the British arms industry began to offer medium-term credits in lieu of cash sales. Although there is little information on the terms of recent British agreements, repayment periods are believed to average about six and one-half years and to extend for as long as ten years. Interest rates generally range from 5% to 6% [redacted]. Although these terms are similar to those offered by the French, the British agreements do not contain special concessions that are often granted by the French. For example, the British are not known to have entered into barter arrangements or to have agreed to offset part of the cost of arms with purchases of goods or services from less developed countries as is true of some French arrangements.

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5. The British, like other major arms exporters, also have concluded contracts providing for the partial assembly of British equipment in the recipient country, as in a 1969 contract to supply naval craft to Argentina. Some British firms have also entered into licensing agreements, particularly with India, under which the recipient country is permitted to produce British-designed military equipment including jet fighters and tanks.

Political Restraints

6. Despite the desire to increase arms exports, political considerations have caused the British

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government to impose arms embargoes and restrict the type of arms to be supplied to particular clients.\* During the Nigerian civil war, Great Britain restricted shipments of sophisticated military equipment to the Federal government, causing Nigeria to turn to other sources -- particularly Communist countries -- for this type of equipment. Since the end of the war, UK arms sales to the Federal government have increased threefold, but the USSR probably will retain part of this once almost exclusively British arms market. More recently Libya turned to the USSR for ground forces equipment after the cancellation of a \$112 million arms contract with the British. The United Kingdom had refused to deliver the Chieftain tank, purchased as part of the agreement, because of a decision to prohibit the export of this sophisticated medium tank with a 120-mm gun to the Middle East.

7. The requirement that the United Kingdom obtain US approval to sell military equipment that was either manufactured under US licenses or funded by the United States also inhibits British arms sales. The recent sale of 12 Canberra jet bombers to India, for example, could not be implemented until the United States approved the sale, because funds for the manufacture of these aircraft were received from the United States under the US military aid program in the 1950s.

#### Results of Britain's Sales Campaign

8. Britain's recent arms export drive has been successful. Arms sales agreements with Third World countries, although fluctuating widely from year to year, increased from an annual average of less than \$115 million in 1966-68 to about \$310 million in 1969 (see Table 3). Actual exports have thus far increased far more gradually because of the lag between sales agreements and deliveries. This lag is particularly great for naval craft.

*\* Until 1964 South Africa had been heavily dependent on the United Kingdom for arms. In response to the UN Security Council resolutions of 1963 and 1964, the United Kingdom prohibited all British arms shipments to South Africa and the Pretoria government turned to countries not honoring the UN resolution -- especially France.*

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Table 3

Estimated Value of UK Military Sales Agreements  
with Less Developed Countries

Area and Country	Million US \$				
	1966	1967	1968	1969	1970
<b>Africa</b>					
Ethiopia	0	6.0	0	0	
Ghana	0	5.0	1.5	0	
Kenya	0	2.3	0	3.6	
Libya	6.4	14.3	16.8 <u>a/</u>	0 <u>b/</u>	<u>c/</u>
Nigeria <u>d/</u>	N.A.	5.7	2.6	15.1	
Sudan	0	1.8	0	0.5	
Zambia	0	0	24.0	0	2.4
<b>East Asia</b>					
Indonesia	0	0	0	0	1.5
Malaysia	1.3	0	0.4	4.8	2.4
Singapore	0	0	10.0	30.0	
Thailand	0	0	0	15.9	
<b>Latin America</b>					
Argentina	2.0	0	4.3	62.4	61.0
Brazil	0	16.0	15.0	31.0	240.0 <u>c/</u>
Chile	16.0	0	0	81.0	
Ecuador	0	0	0	3.6	
Panama	0	0	0	1.5	
Peru	0	0	4.8	26.4	
<b>Near East and South Asia</b>					
Persian Gulf states	0.3	N.A.	4.6	6.0	0.5
Ceylon	0.5	0	0	0	
India	0	12.0	0	14.9	5.0 <u>c/</u>
Iran	68.5	N.A.	N.A.	N.A.	94.0
Israel	N.A.	N.A.	N.A.	N.A.	
Jordan	3.0	1.4	41.0	N.A.	N.A.
Kuwait	31.2	0.4	4.0	0.4	
Saudi Arabia	16.8	0	0	11.5	
<b>Total</b>	<b>146.0</b>	<b>64.9</b>	<b>129.0</b>	<b>308.6</b>	

a. A \$240 million missile contract canceled.

b. A \$112 million tank and armored vehicle contract canceled.

c. Negotiations under way.

d. The value figure is for known agreements. Other transactions may have taken place undetected.

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9. Near East and South Asian countries have been the best market, with almost 55% of arms sales between 1966 and 1968. The less developed Commonwealth countries accounted for less than 20% of British arms sales, although their purchases have been increasing in recent years. During 1969, however, large arms purchases by four Latin American countries accounted for about 65% of the sales to less developed countries. These sales consisted mainly of naval ships, although some transport aircraft and helicopters also were included. All four countries had purchased naval equipment from the United Kingdom in the late 1950s or early 1960s.

10. Naval craft have accounted for more than 50% of total British arms sales in the Third World. In 1969, they accounted for 70% of the total. Naval sales, which were valued at about \$340 million between 1966 and 1969, were distributed among countries as shown in Table 4. Latin American countries account for some 55% of recent naval sales to the less developed countries. The size of naval craft ordered ranges from small patrol boats and hovercraft to aircraft carriers and submarines. The following tabulation indicates the types and quantities of British naval craft currently in the inventories of less developed countries.

<u>Type of Ship</u>	<u>Estimated Number Exported to Less Developed Countries</u>
Aircraft carriers	3
Submarines	5
Submarine chasers	9
Cruisers	5
Destroyers and escorts	39
Patrol boats	43
Mine warfare	36

11. Aircraft represent a relatively small part of recent British sales. In the past two years, orders for only about 40 jet fighters have been received. This compares with British exports of almost 600 jet fighters to less developed countries

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Table 4

British Naval Sales  
to Less Developed Countries  
1966-69

<u>Country</u>	<u>Million US \$</u>
Argentina	54.7
Brazil	31.0
Ceylon	0.5
Chile	74.0
Iran	56.0
Kuwait	1.2
Libya	31.1
Nigeria	9.6
Panama	1.5
Peru	24.0
Saudi Arabia	28.3
Singapore	9.6
Thailand	15.9
<i>Total</i>	<i>337.4</i>

over the preceding 14 years.\* The military aircraft currently being sold by the United Kingdom are at least ten years old and in many cases have been brought out of storage and modified for export. These stocks will eventually be depleted and as the years pass the existing equipment will become increasingly less saleable. The mainstays of British military aircraft exports have been the Lightning, which entered service in 1959, the Hawker Hunter, which first saw service in 1954, and the Canberra, which went into operation in 1951. Production of the Canberra and the Hunter has been terminated and production of the Lightning will probably end within a year. The only other jet fighter currently in production, the V/STOL Harrier, has only a limited appeal to the Third World market.

\* In contrast, the French exported over 500 jet fighters during 1954-69.

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12. The United Kingdom has been successful in exporting a wide range of missiles including several types of surface-to-air and antitank missiles. Their largest missile sale to a less developed country, a \$240 million 1968 contract with Libya, has been canceled. The Libyan government, after much debate, decided the system was too sophisticated. Britain also has exported substantial quantities of tanks, armored personnel carriers (APC), mortars, and artillery as well as sizable quantities of small arms and ammunition. The type and quantity of British ground forces equipment exported to the less developed countries is indicated in the following tabulation:

<u>Equipment</u>	<u>Estimated Number Exported to Less Developed Countries</u>
Tanks	1,044
Self-propelled gun	103
Armored vehicles, personnel carriers, and cars	4,005
Artillery pieces	2,261
Mortars	5,192

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Grants in Aid

13. Almost all British military exports in recent years have been commercial transactions; less than 5% represent grant aid. During 1966-69, small amounts of grant aid, in the form of discounts from list price, may have been extended to a number of Commonwealth countries, and an offer of about \$5 million worth of military aid was made to Southern Yemen earlier this year. Singapore, however, is the only recipient that is known to have received military equipment recently on a grant aid basis. Of the \$112 million UK grant to Singapore, which is intended to reduce economic dislocations that might result from the British pullout in 1971, at least \$18 million has been

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earmarked for defense spending. The grant has been applied toward the purchase of some \$40 million worth of British military equipment, including jet fighter and trainer aircraft, a surface-to-air missile system, and six patrol boats.

14. Prior to 1966, grant aid consisted mainly of small arms, vehicles, patrol craft, and assorted aircraft which were left behind by departing British forces when former colonies were granted their independence. Among these former colonies only a few remain dependent on the United Kingdom for the bulk of their military equipment (see Table 5). Most of these countries, no longer the recipients of grant aid, have diversified their military inventories with equipment purchased from other Western sources. Seven of these countries, however, have turned to Communist suppliers, largely because the types and quantities of equipment they desired were not available from the United Kingdom but could be obtained rapidly from the Soviet Union. In the case of India -- formerly the major recipient of British military aid -- this latter consideration, plus Indian efforts to diversify its sources of supply and to broaden international support in its conflicts on the subcontinent, has resulted in the USSR's becoming India's predominant supplier of arms.

Technical Assistance

15. Technical assistance is a major form of British military aid to Britain's former colonies, where most of Britain's military-technical assistance program has been concentrated. Approximately 90% of the number of British military advisers and technicians serving in less developed countries have been on assignment in Commonwealth countries and three Western oriented oil producing nations -- Iran, Libya, and Saudi Arabia. These countries also account for 90% of the foreign trainee slots at British military training facilities. It is estimated that UK technical assistance to the less developed countries of the Commonwealth has cost the British government about \$8.5 million a year since 1966.

16. In 1968 and 1969 nationals from about 35 less developed countries received military training in the United Kingdom, and British military

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Table 5  
Suppliers of Arms to Former British Colonies  
1954-69

Million US \$			
Country	Suppliers		
	United Kingdom	Other Western Sources	Communist Countries
Ceylon	9.5	12.4	0
Cyprus	0	1.0	27.0
Ghana	22.0	16.2	10.0
India	287.4	374.3	807.0
Jamaica	0.6	1.6	0
Kenya	15.8	3.3	0
Malawi	0.8	0.1	0
Malaysia	90.3	88.7	0
Nigeria a/	22.9	62.1	36.0
Pakistan	172.9	987.7	80.0
Sierra Leone	5.6	0	0
Singapore	1.2	7.0	0
Tanzania	3.2	5.0	15.0
Trinidad and Tobago	1.9	0	0
Uganda	4.6	3.0	15.0
Zambia	4.3	4.7	0

*a. Nigerian arms imports during its civil war were extensive and often made through complex channels. Nigerian figures, therefore, are a minimum estimate.*

technicians were on assignment in over 20 of these states . British training courses have covered a wide range of subjects including staff training, but they have emphasized the operation and maintenance of equipment. Britain's technical aid program, however, is considerably smaller than corresponding French, US, and Soviet programs (see Table 7).

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17. The number of British technicians and advisers stationed in Third World countries has been declining in recent years, in large part because of cutbacks in programs with Commonwealth

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Table 7

Military Personnel Involved  
in Technical Assistance Programs

<u>Donor Country</u>	<u>Persons <sup>a/</sup></u>			
	<u>Trainees in Donor Country</u>		<u>Technicians in Less Developed Countries</u>	
	<u>1968</u>	<u>1969</u>	<u>1968</u>	<u>1969</u>
United Kingdom	710	855	1,110	905
France	1,360	1,245	2,315	2,340
United States	5,835	6,095	3,485	3,150
USSR	3,585	2,865	7,000	6,560

*a. Numbers are rounded to the nearest five.*

nations, where presently more than 65% of the advisers are stationed. Training agreements with several of these countries are scheduled to terminate in the early 1970s and the number of personnel in the British Joint Service Training Teams is being reduced. The phasing out of the program is usually by mutual agreement: the British trying to limit their worldwide commitments as an economy move and recipient countries wanting to reduce their dependence on the United Kingdom for military support. For example, the British training mission in Ghana began to phase out in August 1969, and current plans call for no replacement of British advisers as their tours end. The last team member is scheduled to leave in June 1971. In Kenya the five-year training agreement, which was to expire in mid-1969, was extended for another two years, but the number of British advisers involved was reduced. The program in Malawi will also end in 1972. The departure of the British will reduce the effectiveness of these countries' armed forces and probably make it necessary for them to obtain assistance from other countries, as Zambia did when it replaced the British air mission with an Italian team. The provision of technicians in association with British arms sales, however, is expected to continue at its present scale.

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18. More than 850 foreign nationals were undergoing training in the United Kingdom during 1969. There do not appear to be any planned cutbacks in this part of the British Technical Assistance Program over the next few years.

Conclusions

19. The value of British arms sales contracts with less developed countries increased sharply in 1969, reaching \$310 million. During 1966-69, the United States, the USSR, and France surpassed the United Kingdom as exporters of arms to the Third World.\* Arms exports have made up a much smaller share of total British exports to Third World countries -- 2.5% -- than of comparable French and Soviet exports.

20. British policy objectives for exporting armaments are primarily economic. They include the desire to increase export earnings, recover some research and development costs, lower unit costs to the British government, and find an outlet for surplus equipment. Recent arms agreements also have been a means of maintaining British influence in the Third World. Thus far in 1970, the United Kingdom has signed major arms accords with Iran and Argentina involving the delivery of three frigates, a surface-to-air missile system, and several helicopters. Reports also indicate that the United Kingdom has concluded its largest arms sale with a less developed country -- some \$240 million worth of ships to Brazil.

21. The recent upturn in arms exports is due primarily to the reorganization of the military export sales apparatus in the British government and the accompanying aggressive British effort to increase sales. Since 1966 the United Kingdom has offered arms on medium-term credits and at relatively low interest rates. The British are also making greater use of package deals which include partial assembly or local production under British

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\* During this period, US exports were about 12 times as large, the Soviet Union's more than three times greater, and France's 1.5 times.

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license. The actions of the recently installed Conservative government, moreover, suggest that they have decided to pursue an even more active world wide arms sales campaign than their predecessors.

22. Less than 5% of arms exports to less developed countries has been provided under government grants, those chiefly to Commonwealth countries, and grants will remain a relatively minor part of the British arms export program. Technical assistance has continued as an important form of assistance to the less developed countries, especially Commonwealth countries, although the number of personnel involved will continue to decline as Britain tries to reduce the cost of the program. The number of foreign students training in the United Kingdom, however, is not expected to decline in the near future.

23. Contracts for over \$400 million worth of military equipment (including the recently reported \$240 million sale to Brazil) were concluded with less developed countries during the first ten months of 1970 -- the largest annual volume of sales to these countries to date. Negotiations for additional sales are in progress. Moreover, owing to the normal delay of three to five years involved in the delivery of major naval craft and to increased sales in the late 1960s, arms exports during the early 1970s are expected to increase over the level of \$115 million a year for 1966-69. Although naval craft probably will continue to be the mainstay of the British export drive in the Third World, large orders for surface-to-air missile equipment and electronic gear are expected.

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